

ALPHA

明泰科技
Alpha Networks Inc.

Confidential

4Q15 Results Investor Conference

March 23, 2016



Safe Harbor Statement

Except for the statements in respect of historical matters, the statements contained in this release are “forward-looking statements” subject to risks and uncertainties which may make actual performances and results differ materially from those contained in the forward-looking statements, including the financial stability of international market, demand in end market, supply chain management, impact of competitive products and pricing, exchange rate fluctuations, and other risks beyond the control of the company.



Agenda

- ◆ **2015 Financial Reviews**
- ◆ **2015 Business Updates & 2016 Outlook**
- ◆ **2016 Growth Drivers**
- ◆ **Q&A**

2015 Financial Reviews

4Q15 Consolidated Income Statement & QoQ Comparison

Unit: NT\$Million	4Q15		3Q15		QoQ
	Amt	%	Amt	%	%
Net Sales	5,370	100.0	5,467	100.0	-1.8
Cost of Goods Sold	4,730	88.1	4,741	86.7	-0.3
Gross Profit	640	11.9	726	13.3	-11.7
Operating Expenses	688	12.8	744	13.6	-7.4
Operating Loss	(48)	(0.9)	(18)	(0.3)	166.7
Non-Op. Loss	(38)	(0.7)	(247)	(4.5)	-84.6
Loss Before Tax	(86)	(1.6)	(265)	(4.8)	-67.5
Net Loss	(115)	(2.1)	(292)	(5.3)	-60.6
EPS (NT\$)	(0.26)		(0.65)		

*2015 figures are unaudited.

2015 Consolidated Income Statement & YoY Comparison

Unit: NT\$Million	2015		2014		YoY
	Amt	%	Amt	%	%
Net Sales	22,995	100.0	23,278	100.0	-1.2
Cost of Goods Sold	20,095	87.4	20,013	86.0	0.4
Gross Profit	2,900	12.6	3,265	14.0	-11.2
Operating Expenses	2,802	12.2	2,796	12.0	0.2
Operating Income	98	0.4	469	2.0	-79.1
Non-Op. Inc. (Loss)	(359)	(1.6)	189	0.8	-289.9
Income (Loss) Before Tax	(261)	(1.2)	658	2.8	-139.7
Net Income (Loss)	(340)	(1.4)	536	2.3	-163.4
EPS (NT\$)	(0.74)		1.10		

*2015 figures are unaudited.

Dec 31' 2015 Consolidated Balance Sheet & YoY Comparison

Unit: NT\$ million	Dec 31, 2015		Dec 31, 2014		YoY
	Amt	%	Amt	%	%
Cash and cash equivalents	2,454	17.1	2,281	13.6	7.6
Account Receivable	3,904	27.3	5,449	32.6	-28.4
Inventory	3,788	26.5	4,015	24.0	-5.6
Other Current Assets	623	4.3	878	5.3	-29.0
Non-current Assets	3,545	24.8	4,103	24.5	-13.6
Total Assets	14,314	100.0	16,726	100.0	-14.4
Current Liabilities	4,784	33.4	6,215	37.2	-23.0
Non-current Liabilities	1,119	7.8	828	4.9	35.3
Total Liabilities	5,903	41.2	7,043	42.1	-16.2
Common Stock	4,429	30.9	4,971	29.7	-10.9
Shareholders' Equity	8,411	58.8	9,683	57.9	-13.1

*2015 figures are unaudited.

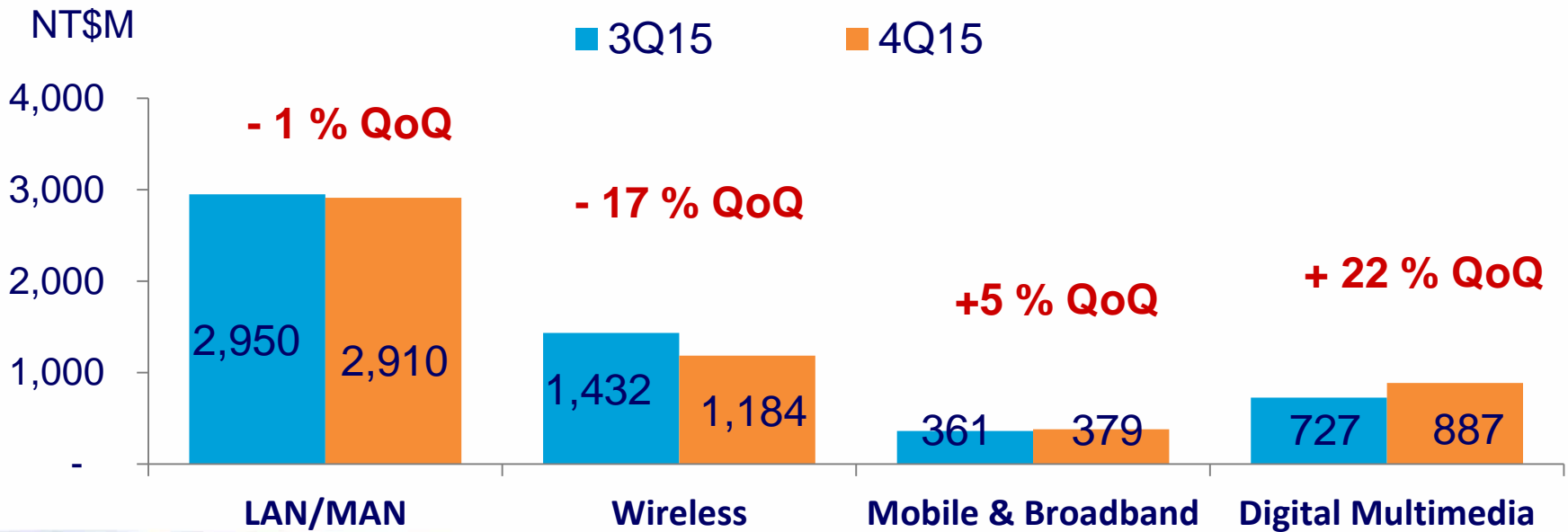
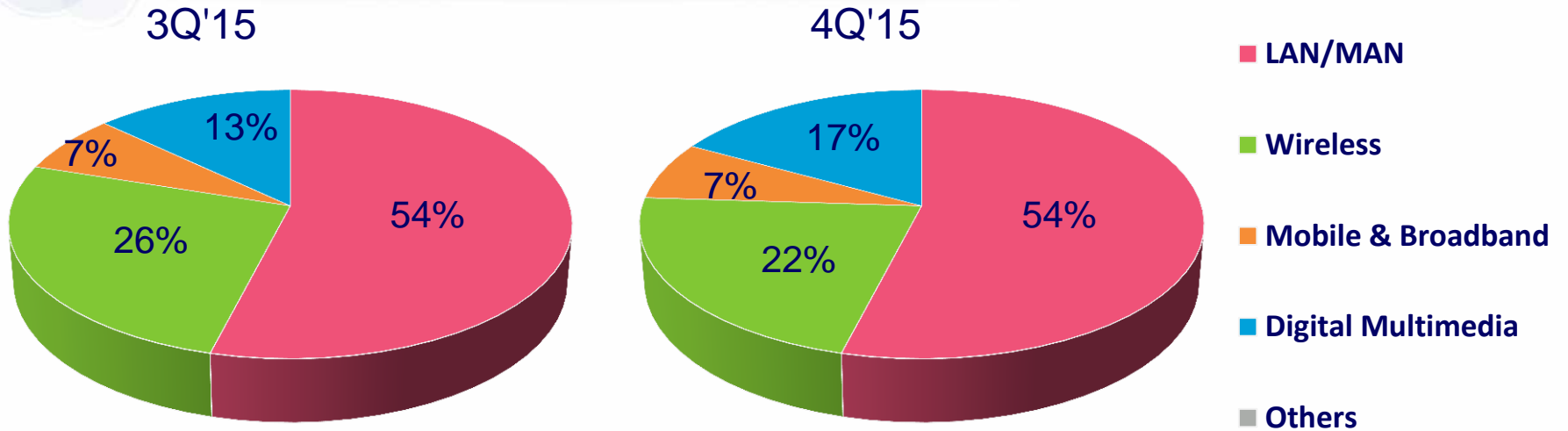
2015 Cash Flow & YoY Comparison

Unit: NT\$ million	2015	2014
	Amt	Amt
Cash from operating activities	1,874	1,790
Cash from investing activities	(266)	127
Cash from financing activities	(1,408)	(1,155)
Effect of Exchange Rate Changes on Cash and Cash Equivalents and Others	(27)	(24)
Net Increase in Cash and Cash Equivalents	173	738
Cash and Cash Equivalents at End of Period	2,454	2,281

*2015 figures are unaudited.

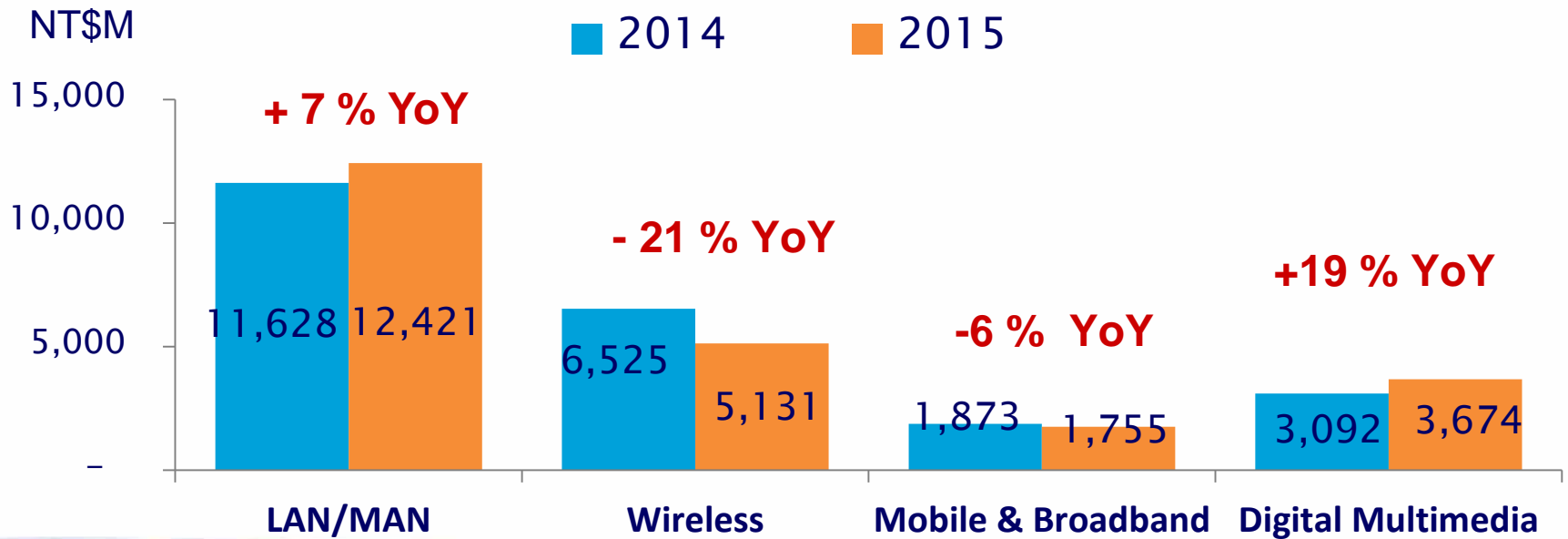
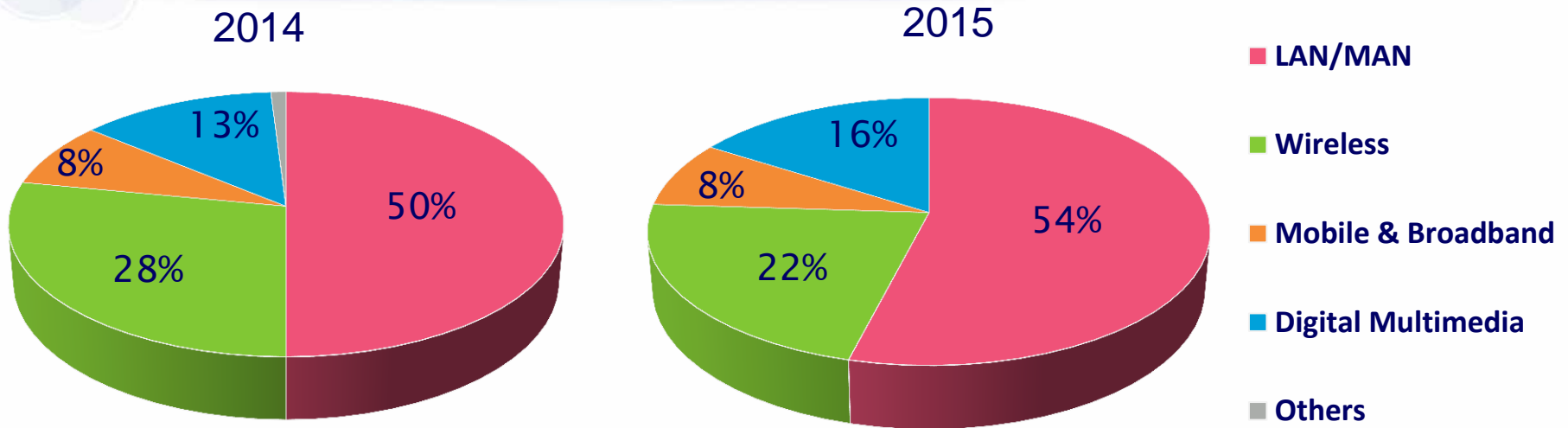
2015 Business Updates & 2016 Outlook

4Q15 Revenue Breakdown by Products & QoQ Comparison



*2015 figures are unaudited.

2015 Revenue Breakdown by Products & YoY Comparison



*2015 figures are unaudited.

2016 Business Outlook

Sales & Market

- **Product portfolio optimization**
- **High-end niche market penetration**

Technology

- **Enlarging cutting-edge technology and new product development**
- **Providing customers with total solutions and integrated services**

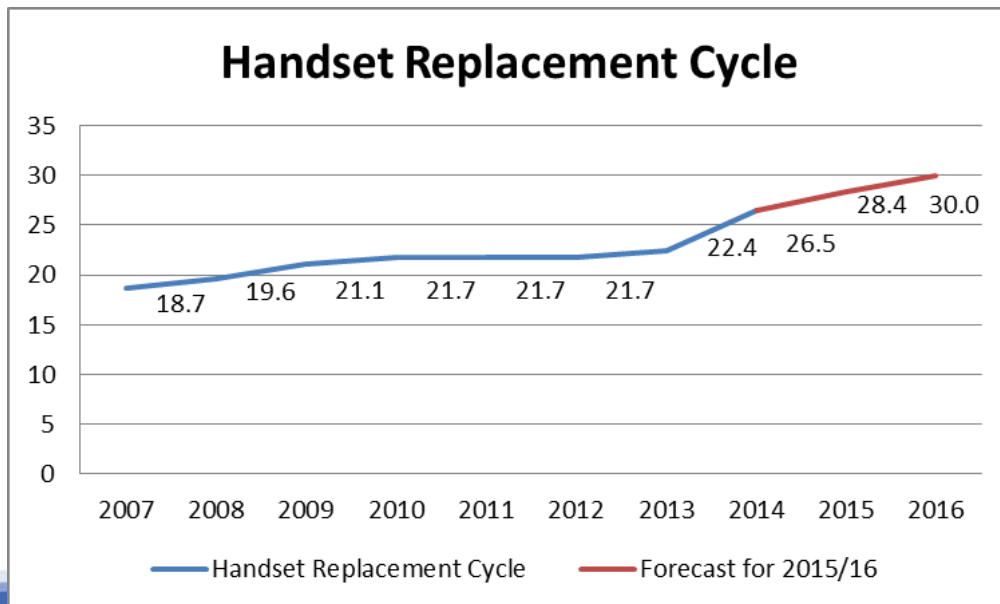
Operation

- **Lean and effective management of cost and production**
- **Enhancing efficiency of operation**

2016 Growth Drivers

2016-2019: Years of no significance

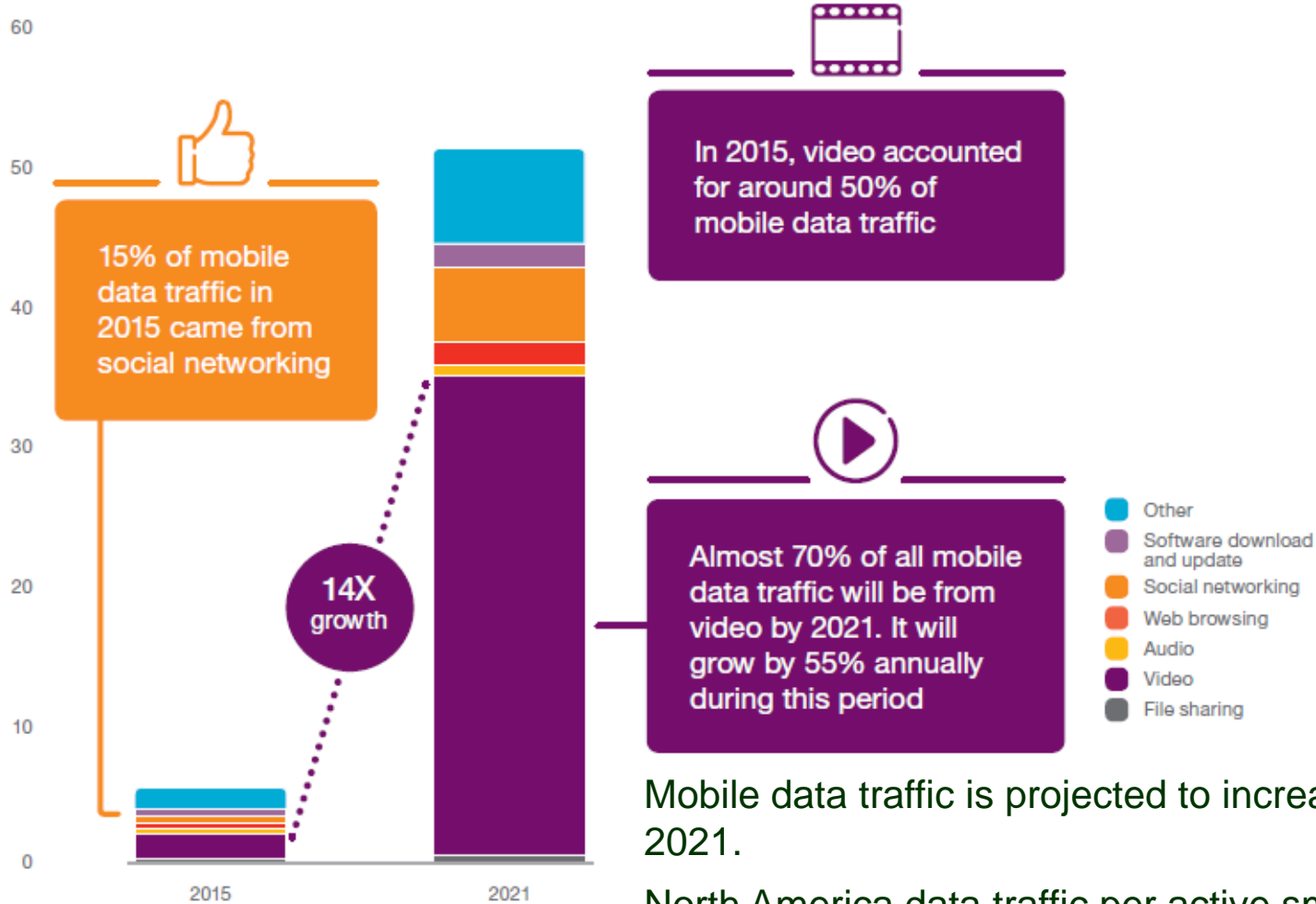
- **Weakened ICT driving force since now** (PC→Internet→Mobile Internet→IoT ?)
 - Low differentiation between high-end and low-end mobile phones
 - User-experiences between Android and iOS are closer
 - Users extends the lifespan of their mobile phones
- NA's 4G wireless network was completely built in 2015, while China/India will be completed in 2016
- **5G Massive deployment in 2020**
- 2016-2019: Years of no significance. However, **networking is still energetic....**



<http://reconanalytics.com/2015/02/2014-us-mobile-phone-sales-fall-by-15-and-handset-replacement-cycle-lengthens-to-historic-high/>

Ericsson: 5G Mobile Subscriptions to Hit 150M by 2021

Mobile data traffic by application type
(monthly ExaBytes)

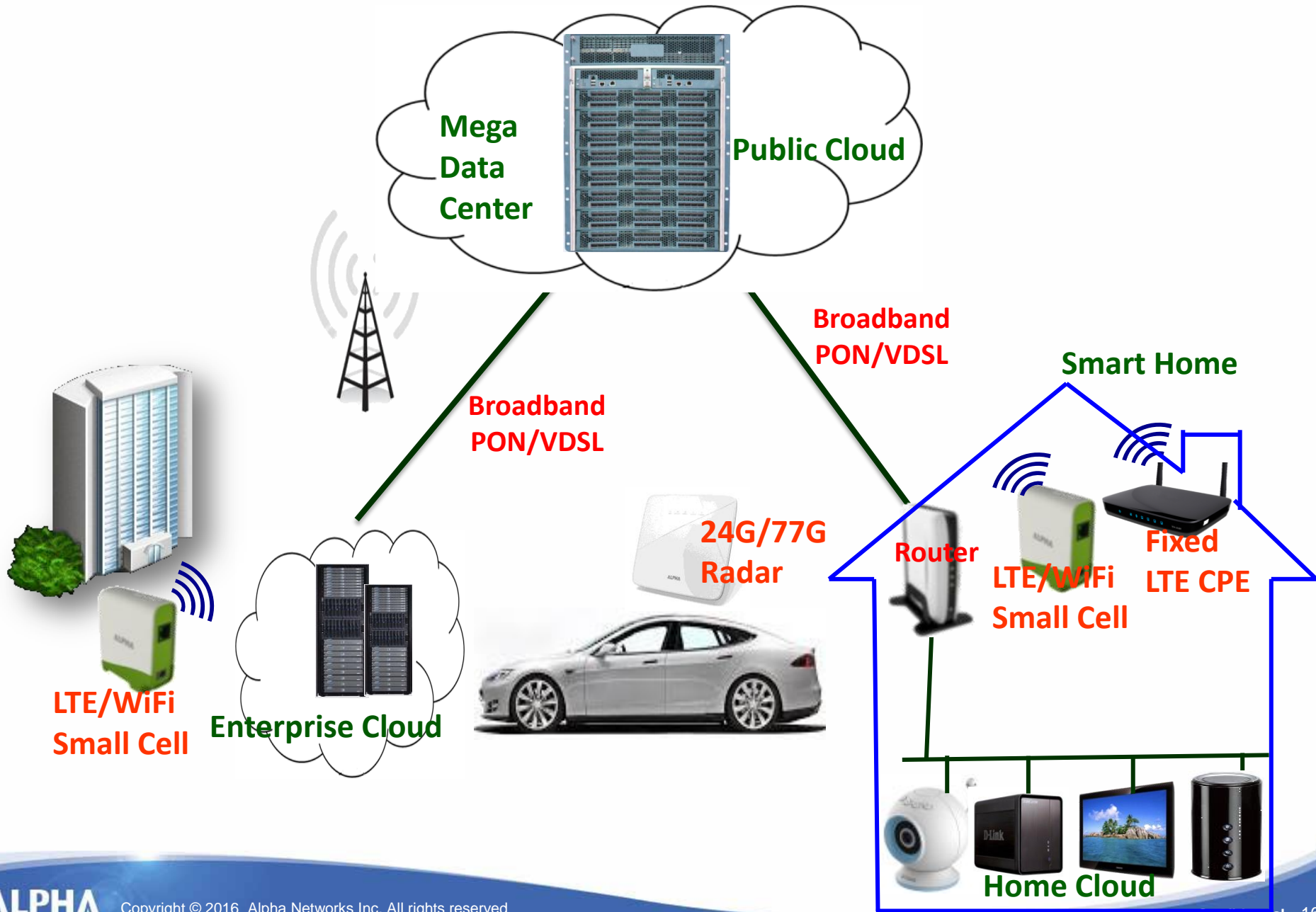


Mobile data traffic is projected to increase over 10 times by 2021.

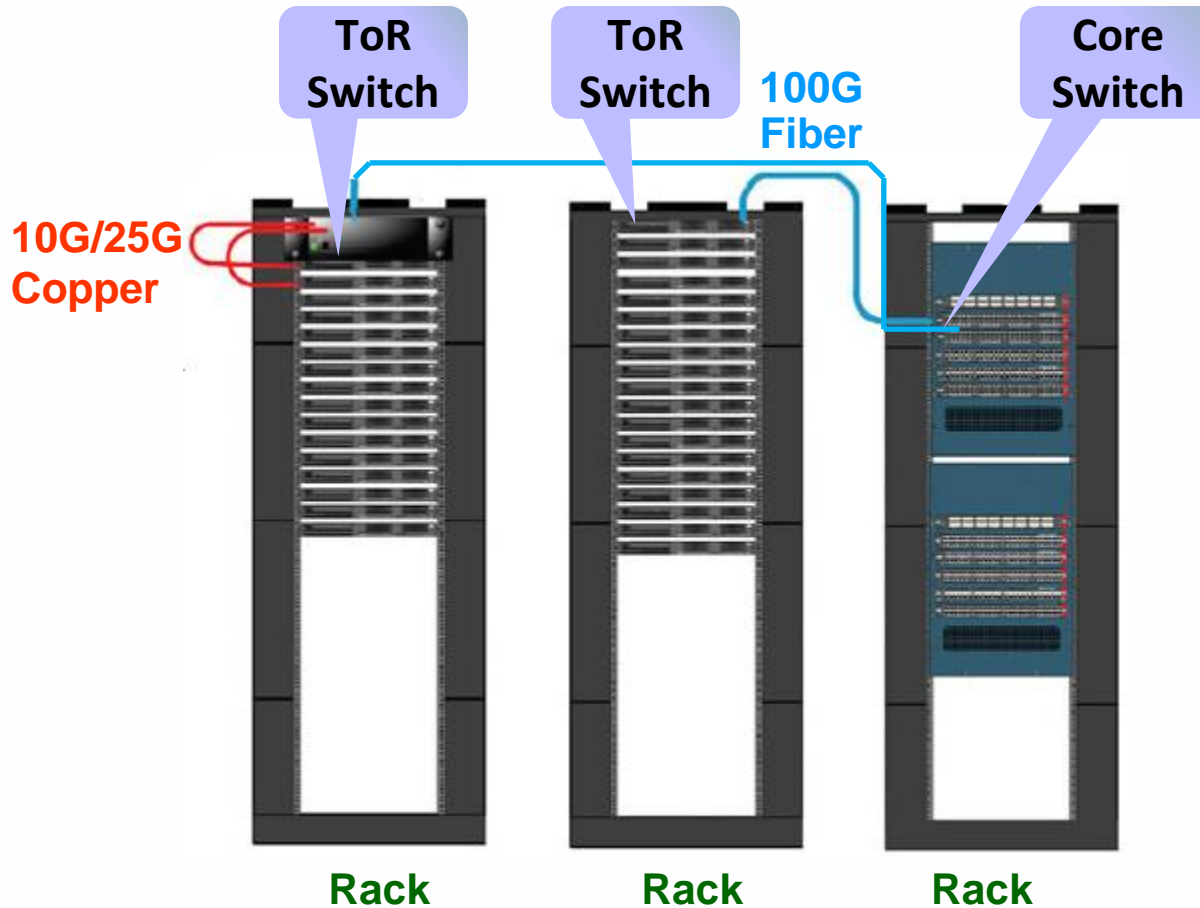
North America data traffic per active smartphone will grow from 3.8 to 22 GB/month by 2021.

In Western Europe, the increase is from 2 to 18 GB/month.

Deployment in Data Center, Enterprise & Home



Larger Market Share in High-end Switch



- **ToR Switch:** $10G*48 + 40G*6 \rightarrow 10G/25G*48 + 100G*6$
- **Core Switch:** $40G*32 \rightarrow 100G*32$
- **High-Density 100G Switch**

Roadmap of Switch Technology Development

- **Hardware: Further lowering the cost by design optimization**
- **Software:**
 - **Enterprise:**
 - **Providing full set of switch firmware, or**
 - **Co-developing switch firmware with customers, or**
 - **Developing add-on features on Customers' switch firmware**
 - **Data Center:**
 - **Installing 3rd parties switch firmware, such as Pica8, Cumulus, ..., for customers**
 - **Developing **Hyper-V** and **Container** to fit in Customers' Linux based Apps**

“The emergence of containers will spark a renaissance for on-premises data centers, thus luring many businesses away from public cloud services,” said Cisco CTO Zorawar Biri Singh. He believes **as much as 30 per cent of public cloud workloads will be going offline in the next five years** as customers opt instead for local data centers based on container stacks.

Alpha Contributes Hardware Design to OCP

➤ Accepted hardware

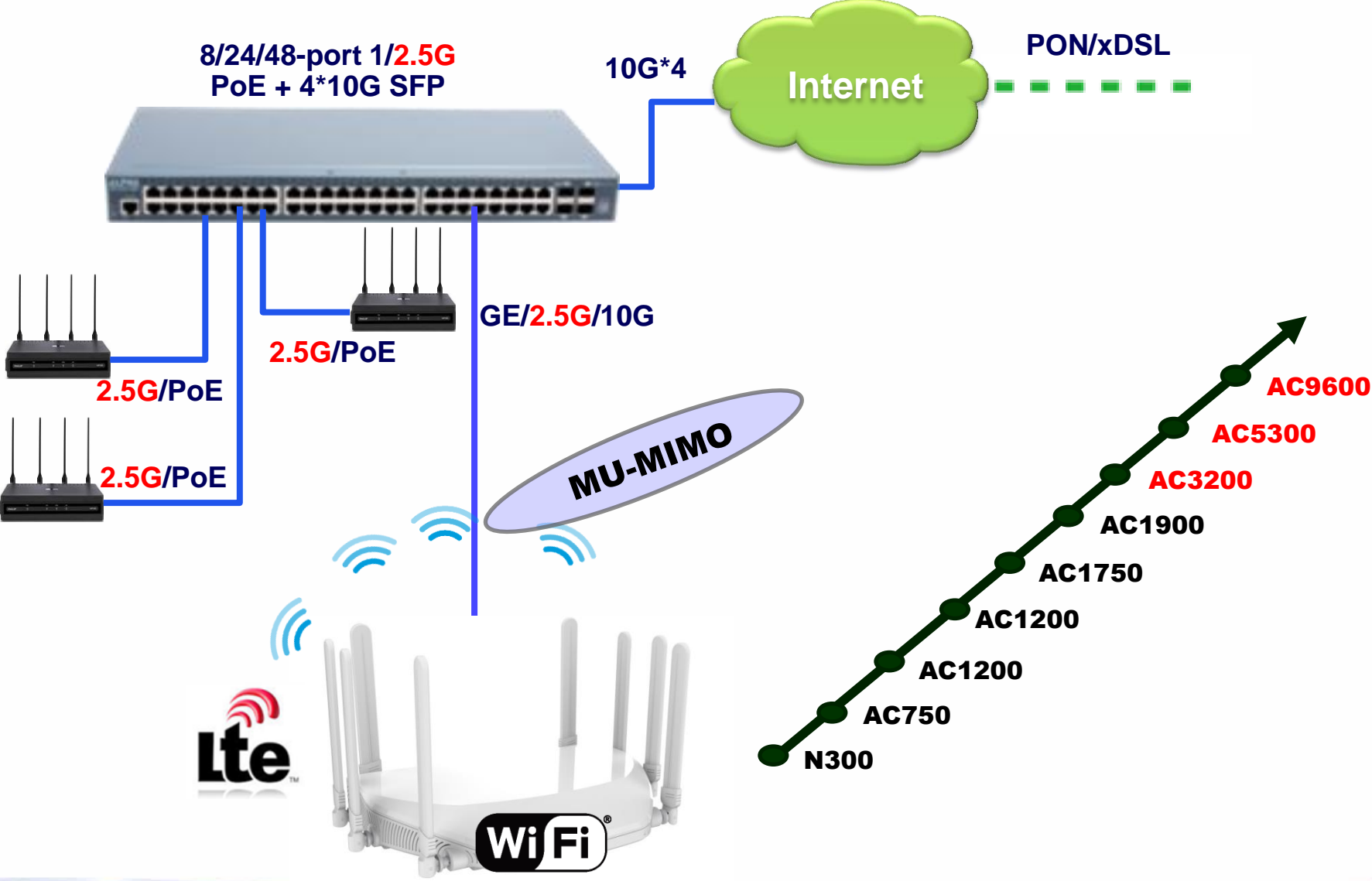
- 48x10G SFP+ & 6x40G QSFP+ : Leaf Switch
- 32x40G QSFP+ : Leaf/Spine Switch

➤ Shared hardware specifications still under review

- 48x10GT, 2x40G QSFP+, 4x100G QSFP28 : Leaf Switch
- 32x100G QSFP28 : Leaf/Spine Switch

➤ All hardware designs are ONIE (Open Network Install Environment) ready

Enterprise: 2.5G/ PoE Switch Triggered by High-Speed WLAN



Home: Smart Wireless Gateway, Multi-RF & MU-MIMO Solutions



Smart Plug

Smart Sensor

Wireless Repeater

NAS

IP-Cam

IP-Cam Centric Smart Home

IoT

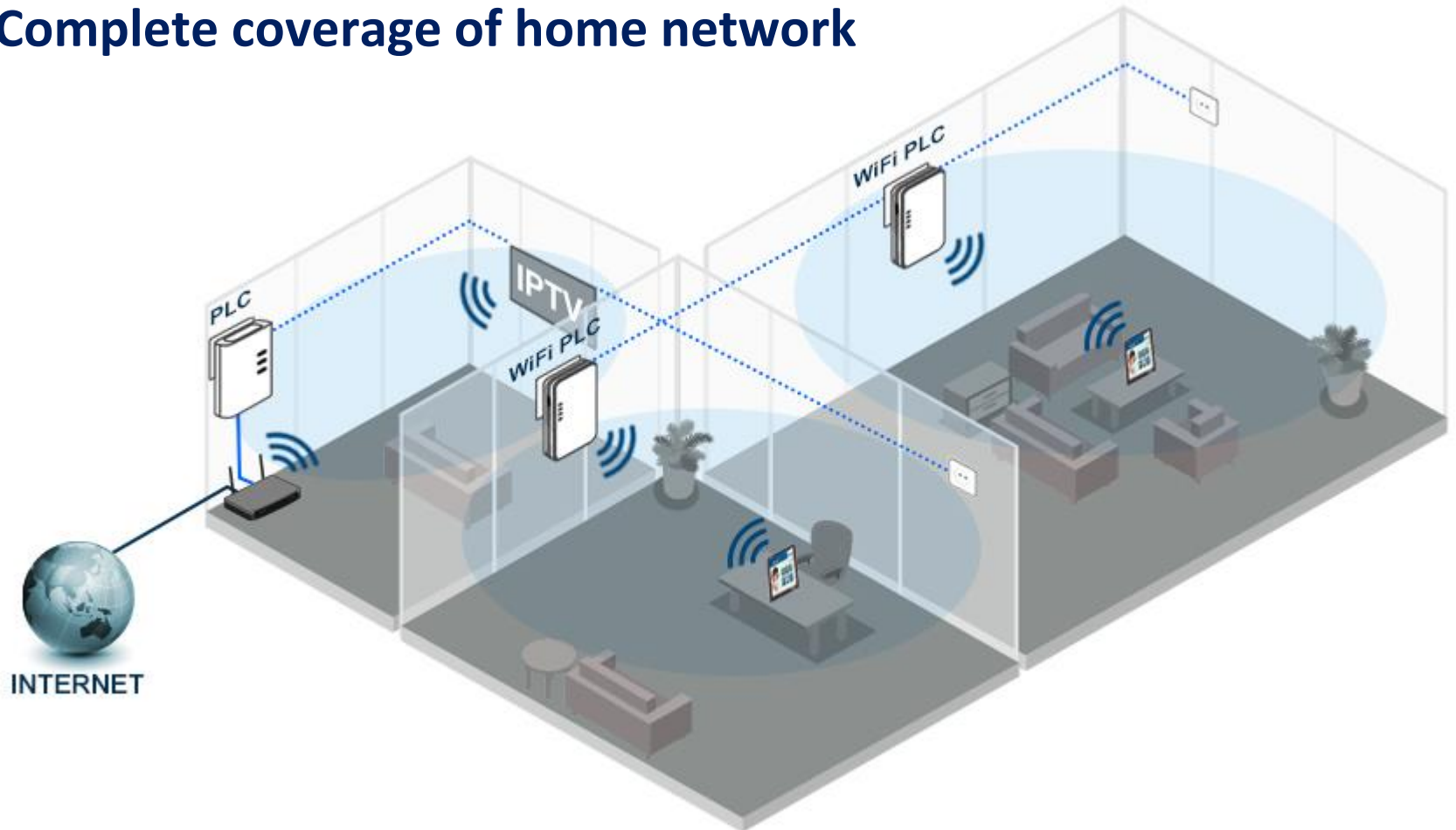
1080P (H.265)

**180° / 360°
Multi-Lens**



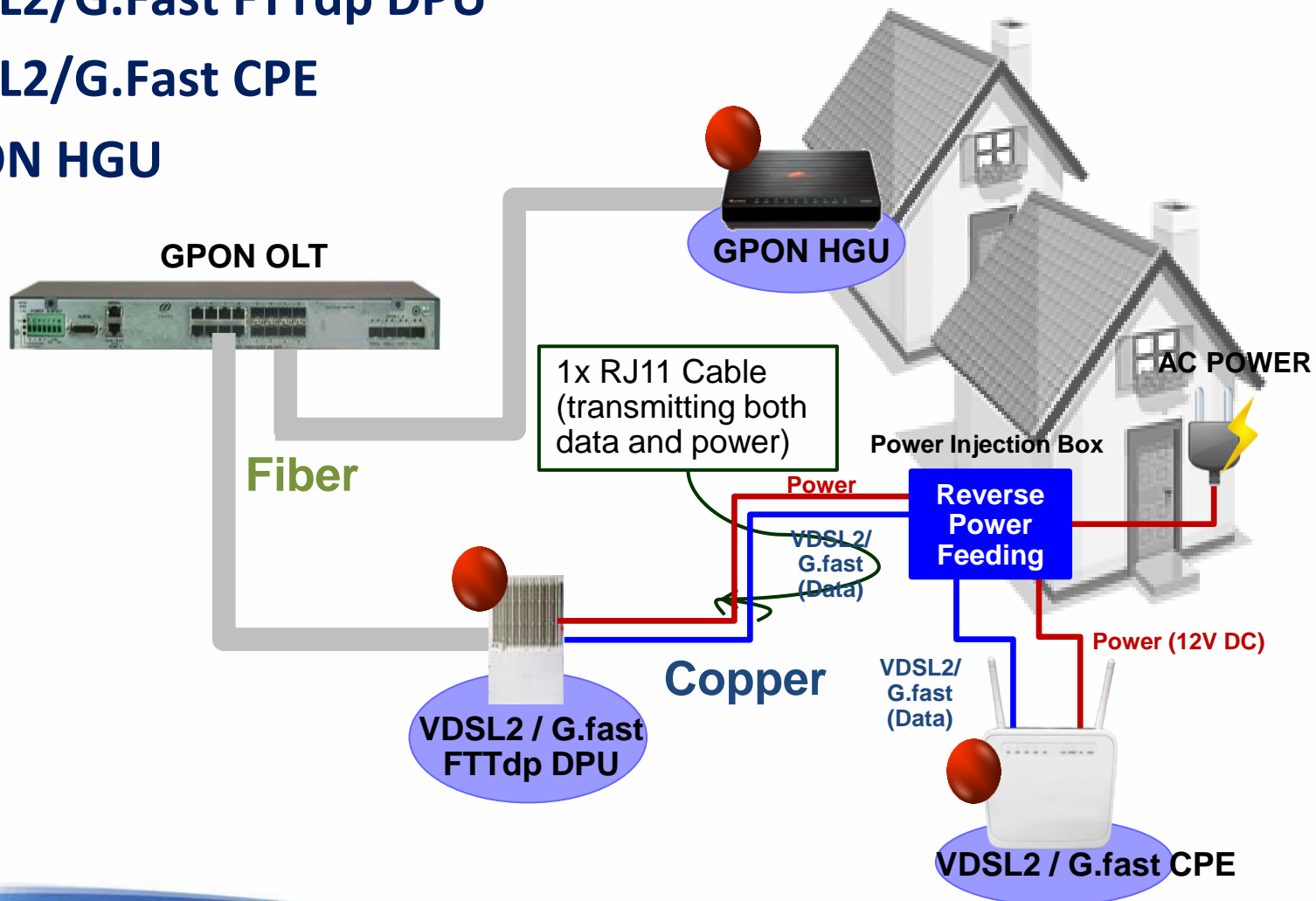
Wi-Fi PLC as High-Speed Home Network Backbone

- Speed of HomePlug AV2: more than **1-1.8Gbps**
- Complete coverage of home network



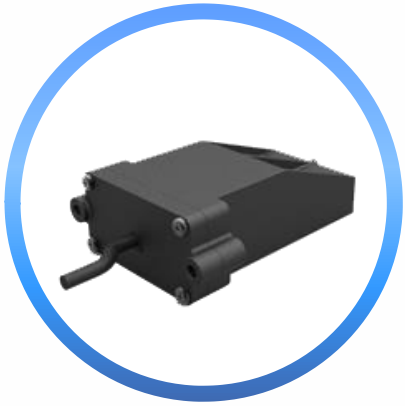
Access: Accelerating Replacement of ADSL by VDSL2/G.fast FTTdp

- VDSL2/G.Fast FTTdp DPU
- VDSL2/G.Fast CPE
- GPON HGU



Expanding Applications from Smart Radar

24GHz Radar



77-79GHz Radar

- **24GHz Collision Avoidance Radar (within 50m, 5cm):**
BSD, PAS, Industrial Sensor, Security Assistance
→ Delivering
- **77GHz Collision Avoidance Radar (within 200m):**
→ Developing
- **24GHz Low-mobility Collision Avoidance Radar:**
Drone, PAS
→ Testing

➤ **IP-Cam + Radar → Make vision complete**

Q & A

Thank You.

www.alphanetworks.com